

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 14, 2007
POSITION: Oppose
SPONSOR: California State University

BILL NUMBER: SB 259
AUTHOR: G. Negrete McLeod

BILL SUMMARY: Public Employees' Retirement: Service Credit

This bill would allow academic employees of the California State University (CSU) to receive full service credit while they are on a reduced pay leave and for which they receive compensation in an amount less than full compensation, such as sabbatical leave. This bill would also require the CSU to contribute all of the amount that would have been contributed by the employer if the member was not on a reduced pay leave, if that provision is agreed upon in collective bargaining.

FISCAL SUMMARY

This bill would create undetermined increased costs to the CSU based on the number of employees that elected to buy back their service credits. The increased administrative costs to CalPERS are unknown and are associated with manually calculating the employee's contribution to figure out what is needed to achieve full compensation.

COMMENTS

Currently, when any CalPERS member elects to buy back service credit for time on sabbatical, they are required to pay the full contribution (employee and employer contribution plus interest). If an employee makes the employee contribution to receive full service credit this bill would require their employer (the CSU) to make the full contribution as if the employee was not on a reduced pay leave, if that provision is agreed upon in collective bargaining. Other CalPERS members that have taken a sabbatical or a traditional leave of absence would still be required to pay the full contribution to buy back service credit.

The CSU management and faculty have agreed through the collective bargaining process to grant 6 month sabbaticals to employees with no reduced pay or reduced employer contributions. It is only if an employee chooses to take a year long sabbatical that they receive reduced pay (6 months) and must pay the full contribution (employee and employer contribution plus interest) to receive full service credit.

On December 28, 2006, the Governor established the Public Employee Post-Employment Benefits Commission (Commission) to deal with public employee pensions and retiree health care obligations. The Commission was created to propose ways for addressing growing pension and retiree health care obligations (the unfunded liability will be reported by Gabriel, Roeder, Smith, and Company in the June 30, 2008 financial statements). The Commission will prepare a report that will examine what is owed in retirement benefits, both pension benefits and non-pension benefits such as health and dental benefits, for which California governments are liable to the Governor and Legislature by January 1, 2008. The report will evaluate and compare various approaches for addressing governments' unfunded retirement obligations. Lastly, the Commission's report will propose a plan to address governments' unfunded retirement obligations. As such, it is premature to approve a modification in benefits at this time and we recommend this bill be deferred until after the Commission's report on January 1, 2008.

Analyst/Principal (0931) K. Hansen	Date	Program Budget Manager Tom Dithridge	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

G. Negrete McLeod

June 14, 2007

SB 259

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2006-2007	FC	2007-2008	FC	2008-2009	Code
6610/CSU	SO	No	-----	See Fiscal Analysis	-----				0001
6610/CSU	SO	No	-----	See Fiscal Analysis	-----				0494
6610/CSU	SO	No	-----	See Fiscal Analysis	-----				0830
6610/CSU	SO	No	-----	See Fiscal Analysis	-----				0988

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0494	Other Unallocated Special Funds
0830	Public Employees' Retirement Fund
0988	Various Other Unallocated NGC Funds